

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|---|------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Campbell Township | County Ionia |
| Audit Date 3/31/05 | Opinion Date 5/17/05 | Date Accountant Report Submitted to State: | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

| We have enclosed the following: | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|--|------------------------|-------------------------|---------------------|
| Certified Public Accountant (Firm Name) Willis & Jurasek, P.C. | | | |
| Street Address 2545 Spring Arbor Road | City Jackson | State MI | ZIP 49203 |
| Accountant Signature <i>Willis & Jurasek, P.C.</i> | | Date <i>10/31/05</i> | |

Campbell Township
County of Ionia, Michigan

Financial Statements
And Independent Auditors' Report

Year Ended March 31, 2005

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Independent Auditors' Report

To the Township Board of Campbell Township
Clarksville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund, and the aggregate remaining fund information of Campbell Township as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Campbell Township as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2004.

Campbell Township has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on page 21 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Campbell Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the general basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Willis & Jurasek, P.C.", written in a cursive style.

Willis & Jurasek, P.C.,

May 17, 2005

Campbell Township
Statement of Net Assets
March 31, 2005

| | Primary Government | | |
|--|---------------------------|----------------------|------------------|
| | Governmental | Business-type | Total |
| | Activities | Activities | |
| Assets: | | | |
| Cash and investments | \$ 388,483 | \$ 75,143 | \$ 463,626 |
| Receivables | 42,414 | - | 42,414 |
| Due from tax collection fund | 121,140 | - | 121,140 |
| Capital assets, net | | | |
| Not being depreciated | 136,820 | - | 136,820 |
| Being depreciated | 389,974 | - | 389,974 |
| Total assets | <u>1,078,831</u> | <u>75,143</u> | <u>1,153,974</u> |
| Liabilities: | | | |
| Accounts payable | <u>1,420</u> | <u>-</u> | <u>1,420</u> |
| Total liabilities | <u>1,420</u> | <u>-</u> | <u>1,420</u> |
| Net Assets: | | | |
| Invested in capital assets, net of related debt | 526,794 | - | 526,794 |
| Unrestricted | <u>550,617</u> | <u>75,143</u> | <u>625,760</u> |
| Total net assets | <u>\$ 1,077,411</u> | <u>\$ 75,143</u> | <u>1,152,554</u> |

Campbell Township
Statement of Activities
Year Ended March 31, 2005

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | | |
|---------------------------------------|------------------|----------------------|------------------------------------|-------------------------|---|--------------|--|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | Total | | |
| | | | | | | | | |
| Primary government | | | | | | | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 83,960 | \$ 20,431 | \$ - | \$ (63,529) | \$ - | \$ (63,529) | | |
| Public safety | 120,262 | - | - | (120,262) | - | (120,262) | | |
| Highways and streets | 73,486 | - | - | (73,486) | - | (73,486) | | |
| Culture and recreation | 1,189 | - | - | (1,189) | - | (1,189) | | |
| Other | 5,798 | - | - | (5,798) | - | (5,798) | | |
| Total governmental activities | 284,695 | 20,431 | - | (264,264) | - | (264,264) | | |
| Business-type activities: | | | | | | | | |
| Sewer | - | - | - | - | - | - | | |
| Total business-type activities | - | - | - | - | - | - | | |
| Total primary government | \$ 284,695 | \$ 20,431 | \$ - | \$ (264,264) | \$ - | \$ (264,264) | | |
| General revenues: | | | | | | | | |
| Property taxes | | | | 118,023 | - | 118,023 | | |
| State shared revenue | | | | 138,837 | - | 138,837 | | |
| Interest and investment earnings | | | | 7,269 | 2,074 | 9,343 | | |
| Other revenues | | | | 3,747 | - | 3,747 | | |
| Total general revenues | | | | 267,876 | 2,074 | 269,950 | | |
| Changes in Net Assets | | | | 3,612 | 2,074 | 5,686 | | |
| Net Assets - Beginning of Year | | | | 1,073,799 | 73,069 | 1,146,868 | | |
| Net Assets - End of Year | | | | \$ 1,077,411 | \$ 75,143 | \$ 1,152,554 | | |

See Notes to Financial Statements.

Campbell Township
Balance Sheet
Governmental Funds
March 31, 2005

| | <u>General</u> |
|---|-------------------|
| <u>Assets</u> | |
| Cash | \$ 388,483 |
| Receivables: | |
| Taxes receivable | 11,372 |
| Due from other governmental units | 31,042 |
| Due from other funds | <u>121,140</u> |
| Total assets | <u>\$ 552,037</u> |
| <u>Liabilities and Fund Balances</u> | |
| Liabilities: | |
| Accounts payable | \$ <u>1,420</u> |
| Total liabilities | <u>1,420</u> |
| Fund Balances: | |
| Designated for special purposes | 183,830 |
| Unreserved; undesignated | <u>366,787</u> |
| Total fund balances | <u>550,617</u> |
| Total liabilities and fund balances | <u>\$ 552,037</u> |

Campbell Township

Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets March 31, 2005

| | |
|---|-------------------|
| Total Fund Balances - Governmental Funds | \$ 550,617 |
|---|-------------------|

Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is

\$ 884,560

Accumulated depreciation is

(357,766)

526,794

| | |
|---|----------------------------|
| Total Net Assets - Governmental Activities | <u>\$ 1,077,411</u> |
|---|----------------------------|

Campbell Township
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended March 31, 2005

| | <u>General</u> |
|---|-------------------|
| Revenues: | |
| Taxes | \$ 118,023 |
| Intergovernmental | 138,837 |
| Charges for services | 20,431 |
| Interest earnings | 7,269 |
| Reimbursements | <u>3,747</u> |
| Total revenues | <u>288,307</u> |
| Expenditures: | |
| General government | 83,318 |
| Public safety | 87,112 |
| Highways and streets | 73,486 |
| Culture and recreation | 1,189 |
| Debt service: | |
| Capital outlay | <u>5,798</u> |
| Total expenditures | <u>250,903</u> |
| Revenues Over (Under) Expenditures | <u>37,404</u> |
| Net Changes in Fund Balances | 37,404 |
| Fund Balances - Beginning of Year | <u>513,213</u> |
| Fund Balances - End of Year | <u>\$ 550,617</u> |

See Notes to Financial Statements.

Campbell Township

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Governmental Funds Year Ended March 31, 2005

| | | |
|---|-----------|---------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 37,404 |
|---|-----------|---------------|

Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

| | | | |
|----------------------|----|--------------|-----------------|
| Depreciation expense | \$ | (39,452) | |
| Capital outlay | | <u>5,660</u> | <u>(33,792)</u> |

| | | |
|--|-----------|---------------------|
| Change in Net Assets of Governmental Activities | \$ | <u>3,612</u> |
|--|-----------|---------------------|

Campbell Township
Statement of Net Assets
Proprietary Funds
March 31, 2005

| | <u>Enterprise Fund</u> |
|----------------------|----------------------------|
| | <u>Sewer Fund</u> |
| Assets | |
| Current assets: | |
| Cash | \$ 75,143 |
| Total current assets | <u>75,143</u> |
| Net Assets: | |
| Unrestricted | <u>75,143</u> |
| Total net assets | <u>\$ 75,143</u> |

Campbell Township
 Combined Statement of Revenues, Expenses and
 Changes in Retained Earnings All Proprietary Fund Types
 Year Ended March 31, 2005

| | <u>Proprietary Fund Types</u> |
|---------------------------------------|-----------------------------------|
| | <u>Sewer Fund</u> |
| Non-Operating Revenues | |
| Interest income | \$ 2,074 |
| Net Income | 2,074 |
| Net Assets - Beginning of Year | <u>73,069</u> |
| Net Assets - End of Year | <u>\$ 75,143</u> |

CAMPBELL TOWNSHIP

Statement of Cash Flows

Sewer Fund

Year Ended March 31, 2005

Cash Flows From Investing Activities

Interest income

\$ 2,074

Cash and Cash Equivalents – Beginning of Year

73,069

Cash and Cash Equivalents – End Year

\$ 75,143

See Notes to Financial Statements.

Campbell Township, Michigan
Statement of Fiduciary Net Assets
Fiduciary Funds
March 31, 2005

| | <u>Cemetery Trust Fund</u> | <u>Agency Funds</u> |
|---------------------------|------------------------------------|-------------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 800 | \$ 121,140 |
| Liabilities: | | |
| Due to other funds | - | \$ 121,140 |
| Net Assets: | | |
| Unrestricted | 800 | |
| Total net assets | <u>\$ 800</u> | |

Campbell Township, Michigan
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year Ended March 31, 2005

| | <u>Cemetery Trust Fund</u> |
|---|---|
| Revenue: | |
| Interest income | \$ 31 |
| Expenses: | |
| Other | <u> 31</u> |
| Net Assets - Beginning of Year | <u> 800</u> |
| Net Assets - End of Year | <u><u> 800</u></u> |

See Notes to Financial Statements.

Campbell Township
Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of Township Operations

Campbell Township operates under an elected Board of Trustees and provides various services to its residents in many areas including public safety, community enrichment, and development and human services. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships.

Adoption of New Accounting Standards

During the year ended March 31, 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued June 1999; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001.

The following table shows beginning net assets restated for the effects of implementation of GASB No. 34:

| | |
|--|--------------------|
| Fund balance at March 31, 2004 – Governmental Funds (Restated) | \$ 513,213 |
| Net capital assets (restated) | <u>560,586</u> |
| Restated net assets – April 1, 2004 | <u>\$1,073,799</u> |

Reporting Entity

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the entity does not contain component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Campbell Township
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government reports the following major proprietary fund:

Sewer Fund – The sewer fund accounts for the activities of the government's sewage collection and treatment systems. The Campbell - Morrison Lake Sewer Authority was formed by three governmental units, Campbell Township, the Village of Clarksville and Boston Township in order to operate and maintain the sewage disposal system. See footnote 9.

Additionally, the government reports the following fund types:

Fiduciary Fund Types - These Funds, used to account for assets held in trust or as an agent for others, and include the Tax Collection Fund and the Cemetery Trust Fund.

Campbell Township
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Township reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost. The Township had no investments at March 31, 2005.

State statutes authorize the Township to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchases agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Campbell Township
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 50 |
| Equipment | 5 - 10 |

Long-Term Obligations – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Township as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ionia County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Township for 2004 had a taxable value of approximately \$52,699,000 representing 50% of estimated current market value. The government's general operating tax rate for fiscal year 2004-05 was .7938 mills for operating and 1.4465 mills for emergency services.

Campbell Township
Notes to Financial Statements

2. Stewardship, compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The Township adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general fund budget is presented to Township Board in February, at which time hearings on the budget are scheduled.
- 2) The budget, and an appropriation ordinance implementing it, is then adopted in March.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general fund were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) The Governing Board has the authority to amend all budgets at the fund level. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 8) The budgetary information presented has not been amended during the year by an official action of the Township Board.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

3. Cash and Cash Equivalents

At year-end, the Township's deposits were reported in the basic financial statements in the following categories:

| | |
|------|----------------------------|
| | Governmental Activities |
| Cash | \$ <u>585,566</u> |

At year-end, the carrying amount of the Township's deposits was \$588,566 and the bank balance was \$586,375. Of the balances, \$100,000 was covered by federal depository insurance in the Township's name. The remaining balance is uninsured and uncollateralized.

4. Receivables

Receivables of the governmental activities of the primary Government at March 31, 2005, consist of the following:

| | |
|--|------------------|
| Other governmental units (primarily the State of Michigan) | \$ 31,042 |
| Taxes receivable | <u>11,372</u> |
| Total | \$ <u>42,414</u> |

Campbell Township
Notes to Financial Statements

5. Interfund Receivables and Payables

The Township reports interfund balances between some of its funds. The sum of all balances presented in the tables below agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. These interfund balances resulted primarily from the time lag between the dates that (1) transactions are recorded in the accounting system.

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u> | <u>Interfund Receivable</u> | <u>Fund</u> | <u>Interfund Payable</u> |
|-------------|---------------------------------|---------------------|------------------------------|
| General | \$ <u>121,140</u> | Tax collection fund | \$ <u>121,140</u> |

6. Capital Assets

Capital assets activity for the year ended March 31, 2005 was as follows:

| <u>Primary Government</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals and Adjustments</u> | <u>Ending Balance</u> |
|---|------------------------------|--------------------|--|---------------------------|
| Governmental Activities: | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ <u>136,820</u> | \$ _____ - | \$ _____ - | \$ <u>136,820</u> |
| Total capital assets not being depreciated | <u>136,820</u> | _____ - | _____ - | <u>136,820</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 306,538 | 4,850 | - | 311,388 |
| Equipment and furniture | <u>435,542</u> | <u>810</u> | - | <u>436,352</u> |
| Total capital assets being depreciated | <u>742,080</u> | <u>5,660</u> | - | <u>747,740</u> |
| Accumulated depreciation: | | | | |
| Buildings and improvements | 68,931 | 6,401 | - | 75,332 |
| Equipment and furniture | <u>249,383</u> | <u>33,051</u> | - | <u>282,434</u> |
| Total accumulated depreciation | <u>318,314</u> | <u>39,452</u> | - | <u>357,766</u> |
| Total capital assets being depreciated - net | <u>423,766</u> | <u>(33,792)</u> | - | <u>389,974</u> |
| Governmental activities capital assets - net | \$ <u>560,568</u> | \$ <u>(33,792)</u> | \$ _____ - | \$ <u>526,794</u> |

Depreciation expense was charged to functions/programs of the primary government as follows:

| | |
|--------------------|------------------|
| General government | \$ 6,302 |
| Public safety | <u>33,150</u> |
| Total | \$ <u>39,452</u> |

Campbell Township
Notes to Financial Statements

7. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended March 31, 2005, the Township carried commercial insurance to cover all risks of losses. The Township has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

8. Designated Fund Balance – General Fund

Certain amounts in the general fund have been reserved for specific purposes. At March 31, 2004, these amounts were as follows:

| | |
|------------------------------|------------------|
| Reserved for Perpetual Care | \$ 20,885 |
| Reserved for Park | 3,177 |
| Reserved for Fire Department | <u>159,768</u> |
| | <u>\$183,830</u> |

9. Sewage Disposal System

The Township of Campbell, in conjunction with the Township of Boston and Village of Clarksville, constructed a sewer system. The system is designated as "Ionia County Sewage Disposal System (Campbell- Morrison Lake)".

The Campbell - Morrison Lake Sewer Authority was formed by the three governmental units in order to operate and maintain the sewage disposal system. The authority is acting in an agency capacity on behalf of these three governmental units.

Required Supplemental Information

Campbell Township
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget to Actual
Year Ended March 31, 2005

| | 2005 | | |
|--|-------------------|-------------------|-------------------|
| | Original | Final | |
| | Budget | Budget | Actual |
| Revenues: | | | |
| Property taxes | \$ 118,053 | \$ 118,053 | \$ 118,023 |
| Charges for services | 21,201 | 21,201 | 20,431 |
| State shared revenue | 139,428 | 139,428 | 138,837 |
| Interest | 7,831 | 7,831 | 7,269 |
| Other | 3,396 | 3,396 | 3,747 |
| Total revenues | <u>289,909</u> | <u>289,909</u> | <u>288,307</u> |
| Expenditures: | | | |
| General government: | | | |
| Legislative | 4,400 | 4,400 | 5,096 |
| Supervisor | 8,200 | 8,200 | 7,088 |
| Elections | 2,771 | 2,771 | 2,807 |
| Legal and audit | 8,600 | 8,600 | 3,860 |
| Clerk | 13,500 | 13,500 | 12,669 |
| Board of review | 2,000 | 2,000 | 823 |
| Treasurer | 18,200 | 18,200 | 14,322 |
| Assessor | 13,500 | 13,500 | 15,130 |
| Township hall | 20,000 | 20,000 | 5,795 |
| Cemetery | 7,000 | 7,000 | 4,938 |
| Other | 13,200 | 13,200 | 10,790 |
| Total general government | <u>111,371</u> | <u>111,371</u> | <u>83,318</u> |
| Public safety: | | | |
| Fire and ambulance | <u>86,800</u> | <u>86,800</u> | <u>87,112</u> |
| Highways, streets and transportation: | | | |
| Roads | 100,000 | 100,000 | 70,767 |
| Drain at large | <u>4,000</u> | <u>4,000</u> | <u>2,719</u> |
| Total highways, streets and transportation | <u>104,000</u> | <u>104,000</u> | <u>73,486</u> |
| Parks and Recreation | <u>1,500</u> | <u>1,500</u> | <u>1,189</u> |
| Capital Outlay | <u>4,000</u> | <u>4,000</u> | <u>5,798</u> |
| Total expenditures | <u>307,671</u> | <u>307,671</u> | <u>250,903</u> |
| Change in Fund Balances | (17,762) | (17,762) | 37,404 |
| Fund Balances - Beginning of Year | <u>513,213</u> | <u>513,213</u> | <u>513,213</u> |
| Fund Balances - End of Year | <u>\$ 495,451</u> | <u>\$ 495,451</u> | <u>\$ 550,617</u> |

Other Supplemental Information

Campbell Township
General Fund
Comparative Balance Sheets
March 31, 2005 and 2004

| | <u>2005</u> | <u>2004</u> |
|---|-------------------|-------------------|
| <u>Assets</u> | | |
| Cash | \$ 388,483 | \$ 272,173 |
| Taxes receivable | 11,372 | 18,025 |
| Due from other governmental units | 31,042 | 29,781 |
| Due from other funds | <u>121,140</u> | <u>193,234</u> |
| | <u>\$ 552,037</u> | <u>\$ 513,213</u> |
| <u>Liabilities and Fund Balances</u> | | |
| Liabilities: | | |
| Accounts payable | \$ 1,420 | \$ - |
| Total liabilities | <u>1,420</u> | <u>-</u> |
| Fund Balances: | | |
| Designated for special purposes | 183,830 | 107,979 |
| Unreserved; undesignated | <u>366,787</u> | <u>405,234</u> |
| Total fund balances | <u>550,617</u> | <u>513,213</u> |
| Total liabilities and fund balances | <u>\$ 552,037</u> | <u>\$ 513,213</u> |

Campbell Township
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year Ended March 31, 2005
(With Comparative Actual Amounts for the Year Ended March 31, 2004)

| | <u>2005</u> | | | <u>2004</u> |
|--|-------------------|-------------------|------------------------------------|-------------------|
| | <u>Budget</u> | <u>Actual</u> | <u>Favorable (Unfavorable)</u> | <u>Actual</u> |
| Revenues: | | | | |
| Property taxes | \$ 118,053 | \$ 118,023 | \$ (30) | \$ 197,331 |
| Charges for services | 21,201 | 20,431 | (770) | 16,753 |
| State shared revenue | 139,428 | 138,837 | (591) | 147,118 |
| Interest | 7,831 | 7,269 | (562) | 4,532 |
| Other | <u>3,396</u> | <u>3,747</u> | <u>351</u> | <u>11,778</u> |
| Total revenues | <u>289,909</u> | <u>288,307</u> | <u>(1,602)</u> | <u>377,512</u> |
| Expenditures: | | | | |
| General government: | | | | |
| Legislative | 4,400 | 5,096 | (696) | 4,650 |
| Supervisor | 8,200 | 7,088 | 1,112 | 6,904 |
| Elections | 2,771 | 2,807 | (36) | 35 |
| Legal and audit | 8,600 | 3,860 | 4,740 | 6,676 |
| Clerk | 13,500 | 12,669 | 831 | 10,674 |
| Board of review | 2,000 | 823 | 1,177 | 746 |
| Treasurer | 18,200 | 14,322 | 3,878 | 16,264 |
| Assessor | 13,500 | 15,130 | (1,630) | 12,462 |
| Township hall | 20,000 | 5,795 | 14,205 | 5,983 |
| Cemetery | 7,000 | 4,938 | 2,062 | 5,246 |
| Other | <u>13,200</u> | <u>10,790</u> | <u>2,410</u> | <u>9,604</u> |
| Total general government | <u>111,371</u> | <u>83,318</u> | <u>28,053</u> | <u>79,244</u> |
| Public safety: | | | | |
| Fire and ambulance | <u>86,800</u> | <u>87,112</u> | <u>(312)</u> | <u>127,451</u> |
| Highways, streets and transportation: | | | | |
| Roads | 100,000 | 70,767 | 29,233 | 54,051 |
| Drain at large | <u>4,000</u> | <u>2,719</u> | <u>1,281</u> | <u>2,991</u> |
| Total highways, streets and transportation | <u>104,000</u> | <u>73,486</u> | <u>30,514</u> | <u>57,042</u> |
| Parks and Recreation | <u>1,500</u> | <u>1,189</u> | <u>311</u> | <u>576</u> |
| Capital Outlay | <u>4,000</u> | <u>5,798</u> | <u>(1,798)</u> | <u>70,204</u> |
| Total expenditures | <u>307,671</u> | <u>250,903</u> | <u>56,768</u> | <u>334,517</u> |
| Change in Fund Balances | (17,762) | 37,404 | 55,166 | 42,995 |
| Fund Balances - Beginning of Year | <u>513,213</u> | <u>513,213</u> | <u>-</u> | <u>470,218</u> |
| Fund Balances - End of Year | <u>\$ 495,451</u> | <u>\$ 550,617</u> | <u>\$ 55,166</u> | <u>\$ 513,213</u> |



May 17, 2005

To the Governing Body
of Campbell Township

We have audited the financial statements of Campbell Township for the year ended March 31, 2005, and have issued our report thereon dated May 17, 2005. In planning and performing our audit of the general-purpose financial statements of the Township, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control.

The Management of the Township is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control. The objectives of internal control are to provide the Council with a reasonable but not absolute assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with the Council's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations in any system of internal control, errors and irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluations made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion of the system of internal accounting control of the Township taken as a whole. However, our study and evaluation disclosed no conditions that we believe to be a material weakness.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement proposal, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, fraud, or illegal acts may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

WILLIS & JURASEK, P.C.

2545 Spring Arbor Road
Post Office Box 39
Jackson, Michigan 49204-0039

Phone Number: (517) 788-8660
Fax Number: (517) 788-9872
E-mail: willis@willispc.com
Web site: www.willispc.com

Our Responsibility under Generally Accepted Auditing Standards (Continued)

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township are described in Note 1 to the financial statements. The Township adopted the requirements of GASB 34 during the year ended March 31, 2005. No other new accounting policies were adopted and no other applications of existing policies were changed during the current year. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no material estimates recorded in the current year.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). There were no significant audit adjustments recorded at year-end.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information and the attached memorandum is intended solely for the use of the Township Board and management of the Township and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank the Township and its staff for the cooperation extended to us during our audit and would be happy to discuss any of the comments in detail if you so desire.

Sincerely,

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

**Campbell Township
Comment and Recommendations**

Segregation of Duties

Substantially all of the accounting and financial management functions of the Township are performed by two individuals, the Township Clerk and the Township Treasurer, both of which are elected positions. While the size and resources of the Township are limited in terms of providing adequate separation of duties, the Board should be mindful of this condition and, where possible, establish reasonable control procedures.

GASB 34 Financial Statements

The Township adopted the requirements of GASB 34 for the year ended March 31, 2005. The audit report has a much different look in that the audit report now contains the new government-wide financial statements. The Township did elect not to include the Management Discussion and Analysis portion. It is a new look for your financial conditions, and as everyone adjusts to the new statements, hopefully the reports will become more meaningful.

Audit Report Distribution

We have filed the appropriate copies of the audit reports to the State of Michigan. No further filing is required of you for this purpose.